

## Message Text

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ACTION EUR-12

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USDOC FOR BEWT/TDAD

E.O. 11652: N/A

TAGS: EEWT, UR

SUBJECT: THE HAMBURGER MAY NOT COME TO MOSCOW

REF: MOSCOW 8080

1. JOHN HUHS, COUNSEL IN LAW OFFICES OF SAMUEL PISAR, TOLD COMATT JUNE 26, THAT WEEK-LONG VISIT OF MCDONALD'S CHAIRMAN OF BOARD, FRED TURNER, WAS ENDING ON MORE SUBDUED NOTE THAN DISCUSSIONS WITH SOVIETS DURING APRIL HAD LED FIRM TO EXPECT (REFTEL). HUHS SAID THAT TURNER'S VISIT WAS BRAIN-CHILD OF GEORGE COHON PRESIDENT OF MCDONALD'S (CANADA), WHO THOUGHT BRINGING IN COMPANY'S BIGGEST GUN AT THIS JUNCTURE WOULD RESULT IN EARLY AGREEMENT WITH SOVIETS TO OPEN PILOT HAMBURGER RESTAURANT IN MOSCOW BEFORE 1980 OLYMPIC GAMES. ACCORDING TO HUHS, TURNER CAME ALONG PRIMARILY AS OBSERVER AND ALLOWED COHON TO CONTINUE TO LEAD NEGOTIATIONS

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WITH SOVIETS.

2. HUHS SAID THAT TO COHON'S DISCOMFITURE, SOVIETS REVERTED TO FORM AND WITHOUT ONCE REVEALING TO TOP-LEVEL MCDONALD'S DELEGATION JUST EXACTLY WHAT IT WAS THEY WERE LOOKING FOR, REPEATEDLY REJECTED FIRM'S PROPOSALS AS BEING

EITHER "TOO RIGID," "TOO DEMANDING" OR "TOO INFLEXIBLE." AS EMBASSY REPORTED REFTEL, MCDONALD'S INSISTED FROM OUTSET THAT ANY HAMBURGER RESTAURANT THEY ERECT IN MOSCOW MUST CONFORM TOTALLY TO COMPANY STANDARDS WORLD WIDE, INCLUDING QUALITY OF MEAT AND OTHER FEATURED DISHES. HUHS SAID MCDONALD'S, AT LEAST INITIALLY, HAD NO INTENTION OF USING SOVIET-ORIGIN BEEF FOR THEIR HAMBURGERS. THIS, OF COURSE, GAVE RISE TO SIGNIFICANT HARD CURRENCY COMPONENT IN MCDONALD'S PROPOSAL, AN APPARENT STICKING POINT IN LAST WEEK'S TALKS.

3. AFTER SEVERAL FRUSTRATING NEGOTIATING SESSIONS WITH SOVIETS, HUHS SAID TURNER REMARKED AT ONE POINT THAT POLAND LOOKED LIKE A BETTER BET THAN USSR FOR MCDONALD'S FIRST VENTURE IN EASTERN EUROPE, FOLLOWED PERHAPS BY YUGOSLAVIA. AS REGARDED POLAND, HUHS SAID TURNER WAS IMPRESSED BY RECENTLY LIBERALIZED LAW WHICH REPORTEDLY CONCERNS ESTABLISHMENT OF SMALL PRIVATE ENTERPRISES IN SERVICE SECTOR, THUS PROVIDING A LEGAL CLIMATE WHICH MORE CLOSELY FITS MCDONALD'S FRANCHISING SCHEMES IN WEST. HUHS OPINED THAT MCDONALD'S WOULD PROBABLY BE TAKING CLOSER LOOK AT POLISH MARKET IN VERY NEAR FUTURE. ALTHOUGH TURNER HAD ALSO MENTIONED YUGOSLAVIA AS POSSIBLE STARTING POINT LIMITED OFFICIAL USE

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FOR HAMBURGER REVOLUTION IN COMECON, HE WAS CLEARLY "AFRAID OF GETTING INVOLVED IN BALKANS" BECAUSE OF WHAT HE PERCEIVED TO BE LARGER THREAT OF POLITICAL INSTABILITY.

4. SOVIET NEGOTIATING TEAM CONSISTED, AT VARIOUS TIMES, OF RSFSR MINISTER OF TRADE SHIMANSKIY, A DEPUTY CHAIRMAN OF OLYMPIC ORGANIZING COMMITTEE, A SOVIET DEPUTY MINISTER OF FOREIGN TRADE AND CHAIRMAN OF MOSSOVIET'S MAIN ADMINISTRATION FOR PUBLIC CATERING.

5. COMMENT: WITH TYPICALLY HEAVY-HANDED AND MISLEADING NEGOTIATING TACTICS, SOVIETS HAVE APPARENTLY COME CLOSE ONCE MORE TO TURNING OFF A U.S. FIRM WHICH HAD HAD A REAL INTEREST IN INTRODUCING ITS PRODUCTS IN USSR AT LOW INITIAL MARGINS. IT IS POSSIBLE THAT SOMETHING MAY YET BE WORKED OUT WHICH WOULD ENABLE MCDONALD'S TO OPEN IN MOSCOW BEFORE 1980, BUT WE RATHER DOUBT IT, GIVEN STRONG NEGATIVE IMPRESSIONS SOVIETS HAVE REPORTEDLY MADE ON TURNER. BUT WHAT MAY BE A

DISAPPOINTMENT TO MCDONALD'S HAS PROBABLY SAVED  
THE "BIG MAC" FROM SOVIETIZATION -- WHICH SHOULD  
MORE THAN MAKE UP FOR IT.

6. PLEASE TREAT THIS INFORMATION AS COMMERCIAL  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NEGOTIATIONS, FOREIGN INVESTMENTS, FOODS  
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**Decaption Date:** 01 jan 1960  
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